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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
NBFC DEPARTMENT**

ORDER UNDER SECTION 282 (L) OF THE COMPANIES ORDINANCE, 1984

Subject: SANCTION OF SCHEME OF AMALGAMATION OF M/S CRESCENT STANDARD INVESTMENT BANK LTD. WITH AND INTO INNOVATIVE HOUSING FINANCE LTD. UNDER SECTION 282 L OF THE COMPANIES ORDINANCE, 1984

1. M/s. Crescent Standard Investment Bank Ltd. (CSIBL), a non-banking finance company limited by shares and incorporated under the Companies Ordinance, 1984, having its registered office at 4th Floor, Crescent Standard Tower, 10-B, Block E-2, Gulberg III, Lahore and M/s. Innovative Housing Finance Limited (IHFL) a non-banking finance company limited by shares and incorporated under the Companies Ordinance, 1984 (the "Ordinance"), having its registered office at H.M House, 7 Bank Square, Lahore, have submitted joint application to the Securities and Exchange Commission of Pakistan (the "Commission") for sanction of Scheme of Amalgamation (the "Scheme") for amalgamation of CSIBL, with and into IHFL pursuant to the provisions of Section 282L of the Ordinance.
2. CSIBL is licensed by the Commission to undertake the businesses of Investment Finance Services and Leasing in Pakistan, however, both licenses were not renewed by the Commission and stand expired with effect from 26th May, 2006. The issued paid up capital of CSIBL as at April 15, 2007 is Rs.1,257,613,240/- divided into ordinary share of Rs.10/- each. By Order of appointment issued by the Commission on August 29, 2006 in terms of Section 282E and 282F of the Ordinance, Mr. Badr-ud-Din Khan was appointed as the Administrator of CSIBL in supercession of its CEO and Board of Directors. By virtue of the said Order, all powers and duties of the Chief Executive of CSIBL as well as those of CSIBL's Board of Directors are being exercised and performed by him since August 30, 2006.
3. IHFL is licensed by the Commission to carry out the business of Housing Finance Services in Pakistan and its issued paid up capital as at April 15, 2007 is Rs. 100,000,000/- divided into ordinary share of Rs.10/ each. Presently, Board of Directors of IHFL comprises of the following persons:
 - Mr. Mahboob Husain, Chief Executive Officer
 - Mr. Khawaja Basit Waheed, Director
 - Professor Dr. Imran Ali, Director
 - Mr. Qamber Hamid, Director
 - Ms. Razia BIBI, Director
 - Mr. Mohammad Tamraiz Riaz, Director
 - Mr. Zafar Chishti, Director

4. The principal object of the Scheme is to effect amalgamation of CSIBL by transfer to and vesting in IHFL, of the whole of the Undertaking known as CSIBL at the effective date, against allotment of fully paid ordinary shares of IHFL to the shareholders of CSIBL in lieu of the shares of CSIBL held by them, in accordance with a swap ratio of 1:200 shares i-e., one share of IHFL will be issued against 200 shares of CSIBL. CSIBL shall be dissolved without winding up, in accordance with and subject to the procedure for amalgamation provided under Section 282L of the Ordinance. CSIBL has 125,761,324 issued ordinary shares of Rs. 10 each which shall be converted into 628,807 ordinary shares of Rs. 10 each of IHFL as per the SWAP Ratio.
5. Extra Ordinary General Meeting of the shareholders of CSIBL under section 159 of the Ordinance was held on May 15, 2007 for approval of the Scheme. The requisite majority of the shareholders of CSIBL as required by Section 282 L of the Ordinance i.e. two thirds in value of the shareholders present either in person or by proxy approved the Scheme by resolving that CSIBL be amalgamated into IHFL in accordance with the Scheme of Amalgamation under section 282L of the Ordinance with effect from such date as may be approved by the Commission. In the said EOGM, 98.98% of the shareholders present consented in favour of the Scheme.
6. Extra Ordinary General Meeting of the shareholders of IHFL under section 159 of the Ordinance was held on May 15, 2007 for approval of the Scheme. The shareholders representing 100% of the issued capital of IHFL attended the EOGM and unanimously voted in favour of the Scheme.
7. In support of the Scheme, CSIBL and IHFL have submitted the following information and documents: -
 - Copies of Memorandum and Articles of Association
 - Scheme of Amalgamation
 - Joint application by CSIBL and IHFL for approval of the Scheme
 - Copies of Notices of Extraordinary General Meetings of shareholders of CSIBL and IHFL accompanies by the Scheme and statement under section 160(1)(b) of the Ordinance.
 - Certified true copies of minutes and resolutions of EOGMs of CSIBL and IHFL.
 - Copy of Memorandum of Understanding signed between the Administrator of CSIBL and the sponsors of IHFL outlining the main features of revival/restructuring of CSIBL.
 - NOC from the creditors of CSIBL representing two third in value of the outstanding deposit and borrowings. IHL doest not have any borrowing/deposit/liabilities as of 15th April, 2007.
 - Confirmation from the Legal Advisors of CSIBL and IHFL that the procedures as laid down in law have been duly complied with and no other provisions of the Ordinance have been violated.
 - Affidavits from the Administrator and Chief Executive of CSIBL and IHFL, respectively that no other provisions of the Ordinance have been violated during the merger process.
 - Amalgamated balance sheet along with notes and statement of equity of IHFL.
 - Calculation of SWAP ratio

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8. The Commission has considered the joint amalgamation application along with the information/documents submitted by CSIBL and IHFL in terms of section 282 L of the Ordinance. The Swap ratio of 1:200 shares i-e., one share of IHFL will be issued against 200 shares of CSIBL as determined in the Scheme on the basis of financial statements of CSIBL as of 15th April, 2007 has been carefully reviewed by the Commission in order to ensure that no unwarranted disadvantage is caused to the shareholders of CSIBL as a result of the Scheme.
9. The Net worth of CSIBL as of 15.04.2007 works out to be Negative Rs.1,985 million whereas the same as per the financial position for the year ended 31.12.2006 works out to be negative Rs. 1,981 million. As such there is no major difference between the reported net worth of 15th April, 2007 when compared to the net worth of 31.12.2006. The statutory auditors of CSIBL for the year ended 31st December, 2006 as per their draft audit report have suggested incorporation of an additional provisions which if incorporated would have further eroded the net worth of CSIBL as of 31.12.2006.
10. In order to ensure that Net worth of CSIBL truly represents the fair value of its assets, the assets portfolio of CSIBL was reviewed to incorporate the effect of any appreciation in the value of assets and to adjust the net worth accordingly. The review revealed that there is no significant change in the value of assets of CSIBL including fixed assets and investment properties except for an appreciation of Rs. 339 million on the listed equity portfolio when marked to the current market price. Moreover, as a result of negotiations of CSIBL with the lending financial institutions, an aggregate settlement gain of Rs. 901 million is expected. In case, the appreciation in the equity portfolio of CSIBL along with the aggregate effect of expected gain arising out of the settlement with lending financial institutions is taken into account even then the net worth of CSIBL works out to be negative Rs. 741 million i.e. negative Rs.5.92 per share of CSIBL. It is pertinent to note that the said net worth does not take into account the additional provision as suggested by the statutory auditor of CSIBL.
11. Therefore, the commission is of the view that the Swap Ratio of 200: 1 i-e., one share of IHFL will be issued against 200 shares of CSIBL as determined in the Scheme and approved by the requisite majority shareholders of CSIBL is based on fair values of net assets of IHFL and CSIBL owing to the fact that even the adjusted net worth of CSIBL works out to be negative Rs.5.92 per share.
12. Two shareholders of CSIBL having 14000 shares representing 0.01% of the total issued paid up capital of CSIBL have voted against the Scheme of amalgamation in the EOGM of CSIBL held on 15th May, 2007. The Commission in terms of sub-section (3) of Section 282 L of the Ordinance is empowered to determine the value of the shares to be paid to the dissenting shareholders by the concerned NBFC i.e. CSIBL and any such determination by the Commission as to the value of the shares to be paid to dissenting shareholder shall be final for all purposes.
13. The shareholders who have dissented to the proposed Scheme of amalgamation can not be paid any value for their shares other than the SWAP ratio of 200: 1 i-e., one share of IHFL will be issued against 200 shares of CSIBL. The said determination is based on the fact that the reported as well as adjusted break-up value per share of CSIBL works out to be negative

Rs.15.78 per share and negative Rs.5.92 per share, respectively. Moreover, there is no market value of the shares of CSIBL as the trading in the shares was suspended on April 2, 2007 to safeguard the general public interest and still stands suspended. The basic rationale for suspending the trading was to curtail the unrealistic price hike in the share on the basis of rumours in the market as the same were not supported by the on going restructuring negotiations between the IHFL and the Administrator. Therefore, no compensation other than the said SWAP ratio to the share value of the shareholders, who have dissented to the Scheme shall be paid.

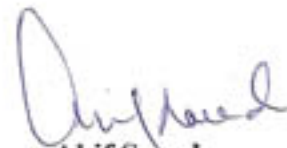
14. In view of the foregoing and compliance of the requisite legal formalities, the Scheme submitted by CSIBL and IHFL is hereby sanctioned by the Commission in terms of Section 282 L of the Ordinance subject to the following conditions and those imposed hereafter:

- a) The Scheme sanctioned by the Commission shall be effective from 28th June, 2007.
- b) IHFL shall raise its equity to the tune of Rs. 800 million by injecting additional funds of Rs.700 million before the effective date of Scheme of amalgamation.
- c) IHFL shall ensure the injection of Rs. 200 million and Rs. 500 million through right issues in the year 2008 and 2009, respectively in accordance with the revival plan submitted to the Commission.
- d) The depositors/lenders of CSIBL shall be repaid by IHFL i.e the surviving entity in a manner and on terms/conditions not less than the agreed and communicated through revival plan.
- e) The depositors and lenders of CSIBL who have not consented to the proposed repayment plan offered by IHFL shall be repaid in a manner not less than the repayment terms/ package being offered to the consenting depositors falling in the same category of the depositors.
- f) No compensation other than the SWAP ratio as stated in the Scheme shall be paid to the share value of the shareholders, who have dissented to the Scheme being sanctioned by the Commission.
- g) The Administrator/directors/suspended Chief Executive Officer of CSIBL as on the effective date of amalgamation will cease to hold their respective offices in CSIBL as a result of amalgamation and such respective offices shall stand relinquished. No compensation shall be payable to any of these administrator, directors and Chief Executive Officer on account of relinquishing their offices as administrator, directors and Chief Executive Officer of CSIBL consequent upon Amalgamation.
- h) At the Effective Date, the entire Undertaking of CSIBL shall be amalgamated with, transferred to, vest in and belong to IHFL.
- i) At the Effective Date, all the Assets of CSIBL shall immediately, without any further act or deed, be vested in, transferred to, belong to and become the undertaking and assets of IHFL, and IHFL shall have, hold and enjoy the Assets in its own right as fully

as the same were possessed, held and enjoyed by CSIBL prior to the Amalgamation but transfer of Assets shall be subject to all mortgages, charges or other encumbrances subsisting thereon, if any;

- j) At the Effective Date, all Contracts, deeds, bonds, agreements, arrangements and other instruments (including all tenancies, leases, licenses and other assurances in favour of CSIBL or powers or authorities granted by or to it) of whatsoever nature to which CSIBL is a party or to the benefit of which the CSIBL may be eligible, and which are subsisting or having effect immediately before the Effective Date, shall, without any further act, instrument or deed, be in full force and effect in favour of or against the IHFL, as the case may be, and may be enforced as fully and effectually as if, in lieu of CSIBL, IHFL had been a party or beneficiary or obligee thereto.
- k) At the Effective Date, all the Liabilities and Obligations of CSIBL, subject to any agreement for rescheduling/restructuring terms agreed by the Customers and Creditors of CSIBL, shall immediately and without any further act or deed be assumed by and become the Liabilities and Obligations of IHFL, which shall pay, undertake, satisfy, discharge and perform, when due, all of the Liabilities and Obligations in the respective terms thereof.
- l) As of the Effective Date, the terms of this Scheme shall be binding on CSIBL and IHFL, on all the shareholders of IHFL, shareholders of CSIBL, Customers and the Creditors of CSIBL, Customers and the Creditors of IHFL and on any other person having any right or liability in relation to either of them.
- m) CSIBL shall be dissolved, without winding up, on the date on which the shares of IHFL are allotted to the shareholders of CSIBL in terms of SWAP Raito as given in the Scheme.

In case, subsequent to sanctioning of the Scheme by the Commission, any fact is found to have been misrepresented to the Commission by the amalgamating entities, the Commission shall have the right to take any appropriate measures as it deems fit, which include but shall not be confined to the cancellation of licence of the merged NBFC.



Akif Saeed
Executive Director
Specialized Companies Division

DATED: 26th June, 2007